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SUBJECT: JEWISH AND PALESTINIAN AMERICANS OFFER FUND FOR
GAZA ECONOMY

¶1. (SBU) SUMMARY: On April 1, Senator Carl Levin and Michigan State community leaders met with several Palestinian business leaders to discuss investment opportunities in Gaza. Senator Levin told the group that the aim of his proposed Michigan Fund for Peace and Development, which totals 200,000 USD, is to fund one or two projects in Gaza dedicated to reviving the local economy. Senator Levin believes that these investments would serve as a simple and visible shot in the arm to the Palestinian economy that could strengthen the peace process and provide a model for future foreign investment. The major concern addressed by the Palestinians during the meeting was for freedom of movement for both laborers and goods within Gaza. The meeting concluded with members agreeing to discuss details of financial support for existing or new project(s) in the coming months . END SUMMARY.

¶2. (SBU) Participants:

-Carl Levin - Senator Michigan
-Samir W. Mashni - Samir W. Mashni and Associates
-Terry Ahwal - Director of Donor Development/Madonna University
-Robert Sher - Certified Public Accountant
-Eugene Driker - Barris Sott Denn & Driker
-Michael Kuiken - Professional Staff Member
-Dr. Hani H. Shawa - Chairman, Bank Of Palestine
-Hashim S. Al-Hussaini - Project Officer, PALTRADE (Palestine Trade Center)
-Sohail Abu Haleema - Sohail Abu Haleema Bros. Co.
-Mohamed Alsharif - Retaj Web Development & Design

Michigan Fund for Peace and Development

¶3. (SBU) On April 1, Senator Carl Levin, his staff and accompanying group of U.S. citizens met with Palestinian business leaders from the Gazan financial, commercial, agricultural, and technical sectors. The aim of this meeting was to discuss potential U.S. investments worth USD 200,000 in Gaza to help stimulate the local economy. The investment would come under the umbrella of Levin's proposed Michigan Fund for Peace and Development, an American initiative that seeks to foster confidence in domestic (U.S.) and international business communities to invest in the territories for the betterment of the Palestinian people.

Finance: Market Opportunities and the Fund

¶4. (SBU) In response to Senator Levin's presentation Dr. Hani H. Shawa Chairman of Bank of Palestine assessed that the fund amount of the USD 200,000 was too low to be effective. He indicated that in order to help revive the economy in the territories major investments are needed, especially in Gaza. Gaza lags behind the West Bank in economic prosperity and freedom of movement for both people, products and machinery. Due to the current political and economic climate and impending changes on the horizon --Gaza Disengagement-- the Bank of Palestine could make major investments if it received guarantees on such loans from either governmental, non-governmental or private sources. In the case of the Michigan Fund for Peace, the Bank of Palestine could supplement the U.S. private fund, if it received guarantees on the loans from the U.S. The Chairman also commented on IDF-imposed travel restrictions, which hurt all aspects of the Gaza economy, and increased the risk of investment for major foreign investors. Local companies and manufacturers in Gaza (mostly family owned) have trouble operating, he explained, because of checkpoints and curfews imposed within the territories. These small businesses do what is necessary to keep from shutting down during the most difficult periods of economic strain. They do so either by reducing the number of workers or reducing overhead costs in areas that do not perform well. Moving to exports and imports, he elaborated that no facilities existed in Gaza or the West Bank that are able to directly export abroad without using the Israeli or Egyptian export facilities and marketing networks. Israel is the main exporter of Palestinian goods through Ashkelon, Karni and Ben Gurion airport.

Commerce: Stagnant Exports and Imports

15. (SBU) PALTRADE (Palestine Trade Center) Project Officer Hashim S. Al Hussaini, who is one of many Palestinians responsible for developing and promoting cash crops (i.e. strawberries, cherry flowers, tomatoes) in the territories, informed Senator Levin that there remains on going cooperation between Palestinian and Israeli business firms. Palestinian imports and exports mainly go through Israeli firms such as AGREXCO (Agricultural Export Corp) that deal in fresh and organic produce. Firms such as AGREXCO have helped with exports and imports but this one positive aspect of working with the Israelis cannot overshadow the bigger economic and political picture which is bleak. As for Egypt, exports through Cairo are minimal and equally problematic. Here the scenario carries a familiar tone, but from a different source: the Egyptian bias against Palestinians. Problems exporting through Egypt are not with products but about Egyptian attitude towards Palestinians. Al-Hussaini reiterating Dr. Shawa' statement that closures hinder exporting.

Technology: Investing in the Human Resource Area

16. (SBU) In the technology area, Gaza and the West Bank produce many entry-level technology workers. Mr. Mohamed Alsharif from Retaj Web Development & Design officer stated "what we need is to invest in human resources so they can have jobs. Gaza has difficulty in marketing what it produces due to a weak information technology infrastructure. Lack of management and no central facility to coordinate efforts cuts-off product marketing. We need computers and need facilities." Organizations such as PICTI (Palestinian Information & Communication Technology Incubator) also provide support for marketing and sharing of ideas, but funding is an issue for such organizations, like the Bank of Palestine that are fearful of investing in start-up businesses that have almost no collateral.

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